

Message Text

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC PRIORITY 8617

C O N F I D E N T I A L MOSCOW 14356

E.O. 11652 GDS

TAGS: EAIR, UR, US

SUBJECT: CIVIL AVIATION: RESPONSE TO GROMYKO MESSAGE

REF: STATE 220255, MOSCOW 13532, MOSCOW 12321, STATE 186525,
STATE 170989,

1. BEGIN SUMMARY: WE RECOMMEND FIRM REPLY TO SOVIETS WHICH STRESSES THAT REVENUE IMBALANCE, TICKETING PROBLEMS, AND FUTURE OF CHARTERS MUST BE SOLVED BEFORE WE CAN MOVE TO THE EXPANSION OF SERVICES WE ALL DESIRE. WE BELIEVE THAT WE SHOULD PROCEED WITH CAB ACTIONS TO LIMIT AEROFLOT TICKET SALES IN US AND REDUCE FREQUENCY LEVELS AFTER OCTOBER 31 TO ONE PER WEEK, WHILE HOLDING OPEN OFFER TO NEGOTIATE OUTSTANDING ISSUES BEFORE THAT DEADLINE. END SUMMARY.

2. WE APPRECIATE THE OPPORTUNITY TO COMMENT ON THE SEPTEMBER 3 MESSAGE FROM GROMYKO. THEIR PAST MEASURES HAVING FAILED, THE GROMYKO MESSAGE TO THE SECRETARY IS, IN OUR VIEW, THE MOST SERIOUS TACTICAL EFFORT TO WIN A NEW FREQUENCY PACT ALONG THE LINES OF THE UNACCEPTABLE 1975 INTERLINE AGREEMENT. BY RAISING CIVIL AVIATION ISSUES TO A HIGHER POLITICAL LEVEL, THE SOVIETS ARE CLEARLY SIGNALLING THEIR CONCERN AS THE OCTOBER 31 DEADLINE APPROACHES. IN RESPONDING TO THE LATEST DEMARCHE, THE EMBASSY THEREFORE BELIEVES IT IS ESSENTIAL TO TELL THE SOVIETS THAT IT IS OUR FIRM POSITION THAT THE REVENUE IMBALANCE, AND TICKETING RESTRICTION PROBLEMS AND FUTURE OF CHARTER SERVICE MUST BE RESOLVED; THAT PAN AM AND THE USG ARE FULLY AGREED IN THIS MATTER; THAT THIS POSITION HAS THE FULL SUPPORT OF THE HIGHEST LEVELS OF THE USG; AND THAT THE US SIDE IS FULLY PREPARED, IF NECESSARY, CONFIDENTIAL

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TO REVERT TO MINIMUM FREQUENCIES AFTER OCTOBER 31 AND TO TAKE

WHATEVER MEASURES MAY BECOME NECESSARY IN RESPONSE TO SOVIET ACTIONS, IF THESE OUTSTANDING ISSUES ARE NOT RESOLVED IN A CONSTRUCTIVE CONTEXT. MEANTIME, WE SHOULD PROCEED WITH CAB FORMAL ACTIONS TO LIMIT SALES IN US OF AEROFLOT TICKETS AND TO REDUCE FREQUENCIES TO ONE PER WEEK FROM OCTOBER 31. ASSUMING THAT THE DEPARTMENT SHARES OUR PERSPECTIVE ON THE CURRENT PROBLEM, THE RESPONSE TO MINISTER GROMYKO MIGHT THEN EMBODY THE FOLLOWING POINTS:

3. WE FIRMLY REJECT THE ALLEGATION THAT THE USG IS BLOCKING FURTHER DEVELOPMENT OF CIVIL AVIATION RELATIONS AS PROVIDED IN THE JUNE 23, 1973, INTERGOVERNMENTAL PROTOCOL. ON THE CONTRARY, THE US DESIRES FURTHER DEVELOPMENT OF OUR CIVIL AVIATION RELATIONS AND HAS MADE CONSTRUCTIVE PROPOSALS WHICH WOULD ACHIEVE A BALANCE OF BENEFITS AND CREATE THE PROSPECT OF INCREASED MARKET SHARES FOR BOTH AIRLINES. THE USG DOES, HOWEVER, HAVE AN OBLIGATION TO ENSURE THAT EXISTING BILATERAL COMMITMENTS ARE BEING FULFILLED AND THAT NEW ARRANGEMENTS OFFER THE OPPORTUNITY FOR MUTUAL BENEFITS. UNFORTUNATELY, WE CANNOT AGREE THAT SOVIET PROPOSALS AND CURRENT ACTIONS SEEK THE SAME END.

4. WE REJECT THE ALLEGATION THE US SIDE IS USING THE IMBALANCES IN REVENUE AND VOLUME OF TRANSPORT AS A PRETEXT FOR SEEKING ONE-SIDED ADVANTAGES" IN OUR CIVIL AVIATION NEGOTIATION. BY ALL OBJECTIVE STANDARDS, THE BENEFITS FROM OUR CURRENT ARRANGEMENTS HAVE NOT PROVEN EQUITABLE AND WE SIMPLY CANNOT AGREE TO EXTEND INDEFINITELY THE CURRENT SITUATION. THE US FOR MORE THAN ONE YEAR HAS EXPLAINED THAT THE 1975 PAN AM-AEROFLOT AGREEMENT IS UNACCEPTABLE BECAUSE IT DOES NOT RESOLVE THE BASIC CAUSES OF THE REVENUE IMBALANCES. THE US PROPOSALS SUCH AS REVENUE POOLING WOULD HELP TO RESOLVE THESE PROBLEMS AND TO PAVE THE WAY FOR CONSIDERATION OF A NEW FREQUENCY AGREEMENT.

5. WITH REGARD TO THE RECENT FEDERAL GRAND JURY INDICTMENT OF AEROFLOT ON THE CHARGE OF ILLEGALLY SELLING CUT-RATE TICKETS BETWEEN FRANCE AND WASHINGTON, D.C., THIS MATTER IS NOW WITHIN THE JURISDICTION OF THE JUDICIAL BRANCH OF OUR GOVERNMENT. THE CHARGES AGAINST AEROFLOT HAVE BEEN THOROUGHLY AND FAIRLY EXAMINED AND IT IS NOW UP TO THE FEDERAL COURT SYSTEM TO WEIGHT THE MATTER.

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6. THE DIFFICULTIES FACED BY PAN AM IN THE SOVIET MARKET ARE WELL DOCUMENTED, INCLUDING THE CURRENT TICKETING RESTRICTIONS. AT MANY POINTS DURING THE BILATERAL DISCUSSIONS EARLIER THIS YEAR, THE US SIDE RAISED SUCH MATTERS AS TICKETING RESTRICTIONS, ADVERTISING, LIMITED HOTEL SPACE, AND RESTRICTIVE SALES OPPORTUNITIES AS COMPARED WITH AEROFLOT IN THE US, BUT THE SOVIET SIDE WAS UNRESPONSIBLE.

7. THE USG AND PAN AM ARE IN AGREEMENT THAT THESE CURRENT ISSUES MUST BE RESOLVED BEFORE ANY NEW FREQUENCY ARRANGEMNT CAN BE REACHED. THE USG IS NOT PREVENTING PAN AM FROM NEGOTIATING WITH AEROFLOT.

8. THE SOVIET SIDE HAS NOT RESPONDED POSITIVELY TO OUR EXPRESSED CONCERNS. IN OUR VIEW, IT IS HARDLY A SERIOUS NEGOTIATING APPROACH TO REJECT US PROPOSALS WITHOUT OFFERING CONSTRUCTIVE ALTERNATIVES. THE SITUATION HAS BEEN FURTHER COMPLICATED BY THE INITIATION OF TICKETING RESTRICTIONS AGAINST PAN AM, WHICH VIOLATES THE SPIRIT AND LETTER OF OUR CIVIL AIR TRANSPORT AGREEMENT, AND THE THREAT TO TERMINATE US CHARTER FLIGHTS TO THE USSR AFTER MARCH 31, 1977.

9. WE THEREFORE WELCOME MINISTER GROMYKO'S STATEMENT THAT SOVIET CIVIL AVIATION AUTHORITIES ARE READY TO DISCUSS AND RESOLVE THE PROBLEMS OF COOPRATION BETWEEN THE TWO COUNTRIES. IF THE SOVIET SIDE IS INDEED NOW PREPARED TO RESPOND CONSTRUCTIVELY TO THE US CONCERNS AND TO OFFER SERIOUS PROPOSALS FOR THE RESOLUTION OF THE OUTSTANDING QUESTIONS, THE US SIDE WOULD BE PLEASED TO RESUME OUR BILATERAL DISCUSSIONS TOWARD MUTUALLY BENEFICIAL RESOLUTION OF OUTSTANDING ISSUES.
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